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FIRST PROGRESS REPORT
ON THE
CONTRA COSTA COUNTY PREPAID HEALTH PLAN

JULY 1975

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Prepared by the
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FIRST PROGRESS REPORT ON
CONTRA COSTA COUNTY PREPAID HEALTH PLAN

An initial report on the Contra Costa County Prepaid Health Plan was prepared in March 1975. That report furnished background information about the plan, included enrollment and expenditure and revenue data, and identified future issues to be considered in relation to the Prepaid Health Plan. Of particular concern at the time the initial report was submitted, and suggested for continuing review, were Prepaid Health Plan revenues and expenditures inasmuch as analysis of the initial cost data showed a loss for the period of the study but at a decreasing rate.

The initial report also included a schedule of actual and estimated sources of funding for all County medical and mental health programs. This schedule, updated and compared with the initial schedule, follows.

Fiscal Year 1974-1975
Actual and Estimated Source of Funding all County
Medical/Mental Health Programs

<u>Title</u>	<u>Initial Estimate</u>	<u>Revised Estimate</u>
Prepaid Health Premiums (PHP)	\$ 2,075,000	\$ 2,125,000
Medi-Cal Regular	3,830,000	4,520,000
Medicare Regular	1,800,000	2,070,000
3rd Party Regular and Private Pay	1,590,000	1,600,000
Medi-Cal Mental Health	1,400,000	2,000,000
Medicare Mental Health	180,000	215,000
3rd Party Mental Health and Private Pay	340,000	400,000
State Subsidy Mental Health	3,849,000	3,400,000
Drug Abuse SB 714	226,323	228,000
Alcoholism SB 204	156,663	753,000
SRS	94,337	85,000
T.B. Subsidy	3,000	1,500
Alcoholism - Hughes	46,000	46,000
Functional Retardation	77,000	77,000
Cafeteria Receipts	90,000	90,000
Subtotal All Revenue	\$15,758,219	\$17,610,500
County Share of Costs of all Programs	<u>7,391,781</u>	<u>6,239,500</u>
Total Program Costs	<u>\$23,150,000</u>	<u>\$23,850,000</u>

It will be noted that total program costs proved higher than initially estimated but that revenues exceeded the additional expenditures by an even larger amount, resulting in a lower County cost of all programs. Taking into account the County contribution required to assist in financing the Medi-Cal program under Section 14150.1 of the Welfare & Institutions Code, gross County cost to support County Medical Services decreased from an estimated \$15,125,000 to \$13,972,500, a decline in the estimated County cost of \$1,152,500.

REVENUE AND EXPENDITURE DATA

The initial report cited PHP costs and premiums for the period February 1, 1974 to December 31, 1974. The information submitted at that time was as follows:

	(A) Actual PHP Costs	(B) PHP Premiums	(C) Excess Costs Over Premiums	Percentage Excess Costs (C ÷ A)
Jan.-June 1974	\$ 302,519	\$170,311	\$132,208	43.7
July-Dec. 1974	<u>748,574</u>	<u>646,759</u>	<u>101,815</u>	13.6
Total	\$1,051,093 (1)	\$817,070 (2)	\$234,023	22.3

- (1) a. Costs include Outside PHP Services and PHP Administration. They exclude non-PHP costs such as the Medicare and Medi-Cal Billing Section.
- b. July-Dec. total includes \$56,006 Marketing Costs. Jan.-June total does not include \$42,551 Marketing Costs charged to the HMO Grant.
- (2) Premiums of \$71,461 for Medicare patients are excluded and costs associated with Medicare patients are also excluded.

Additional data for the period January to April 1975 are as follows:

	Actual PHP Costs	PHP Premiums	Excess Premiums Over Costs
Jan.-April 1975	\$872,585 (1)	\$909,846 (2)	\$37,261

- (1) Costs include Outside PHP Services and PHP Administration. They exclude non-PHP costs such as the Medicare and Medi-Cal Billing Sections.
- (2) Premiums of \$41,781 for Medicare patients are excluded and costs associated with Medicare patients are also excluded.

It will be noted that the cost gap closed during this period and that a nominal plus balance resulted. Inasmuch as fluctuation in Prepaid Health Plan usage over a period of time should be expected, continued periodic monitoring of costs in relation to premiums is essential. Review by a competent actuarial consultant is also in order.

ENROLLMENT

Prepaid Health Plan enrollment continued during the January to April period but at a much reduced rate in April (and in May and June) because budgeted funds to finance the contract with West Contra Costa Community Health Care Corporation were substantially exhausted. The results are apparent from the schedule below which shows the number of enrollees and capitation income (premiums) each month:

<u>Month</u>	<u>Enrollees</u>	<u>Premiums</u>
January	7108	\$229,207
February	7103	228,468
March	7751	247,696
April	7659	245,519
May	7310	234,884
June	7087	229,102

Health plan administrators advise that continuing enrollment is essential inasmuch as enrollment attrition of 300 to 400 enrollees per month otherwise results.

PREPAID HEALTH PLAN ISSUES REQUIRING BOARD OF SUPERVISORS DETERMINATION

With the current finding that the Prepaid Health Plan can be self-supporting, policy consideration will need to be given to corollary Prepaid Health Plan issues. Among these are participation in the new State Program pertaining to PHPs known as the "Institute for Medical Services," resumption of marketing efforts, verification procedures, contract services with private pharmacies, and rate paid for ambulance services under the Prepaid Health Plan. The most important of these is participation in the Institute for Medical Services.

It will be noted that the same day is given for the
two cases. This is because the two cases are
connected by a common thread. The first case is
connected to the second case by a common thread.
The second case is connected to the third case by a
common thread. The third case is connected to the
fourth case by a common thread. The fourth case is
connected to the fifth case by a common thread.

Summary

The purpose of this report is to provide a summary
of the results of the study. The study was conducted
in order to determine the effect of the treatment
on the outcome. The results of the study are
summarized in the following table. The table shows
the results of the study for each of the four
cases. The results are summarized in the following
table.

Case	Outcome	Effect
1	100%	100%
2	100%	100%
3	100%	100%
4	100%	100%
5	100%	100%
6	100%	100%
7	100%	100%
8	100%	100%
9	100%	100%
10	100%	100%

The results of the study are summarized in the
following table. The table shows the results of
the study for each of the four cases. The results
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Conclusions

The results of the study are summarized in the
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Institute for Medical Services

On June 26, 1975 Governor Brown announced that all PHPs would be terminated effective July 1, 1975. The State will honor Contra Costa County's contract which expires October 31, 1975. In place of the Prepaid Health Plan, the State is implementing a new concept termed "IMS," or Institute for Medical Services. The following are the new IMS requirements which the County must meet in order to obtain a new contract from the State by November 1, 1975. Administrative action has been taken to indicate this County's intent to comply with these requirements inasmuch as this action had to be taken by July 14, but it is, of course, subject to policy determination by your Board.

1. An approved program for professional education as identified by a Contract Management Team in cooperation with the Department's medical consultant.
2. Establishment of a Board of Directors composed of at least one-third consumers, with the remainder consisting of public members with no direct financial involvement in the program. (This will require a waiver of this requirement or development of an alternative way of insuring consumer participation.)
3. Presentation of letters of support from community groups and members of the community before a contract will be renewed.
4. Scheduling of each enrollee into a health education program, to explain the services available and the need for preventive care.
5. Employment of enrollees directly by the Institute (County) with duties as membership services representatives as well as marketers. Each enrollee will be sent a "bill of rights" by the State and the State will also verify all enrollments and disenrollments.
6. Provide each enrollee with a 30 day period immediately following his enrollment in which he may disenroll without cause. After the 30 day period, a request for disenrollment will be processed by a grievance committee established under the auspices of the Institute. If the grievance committee is unable to resolve the grievance, it will then be submitted to the Department of Health for action.

7. Include a strong component of preventive health care and patient education among services to be provided. Follow-up will be required for patients with ongoing conditions, those who have received emergency care, and those in need of dental treatment.
8. Develop written agreements with non-Institute emergency rooms specifying procedures for accepting and treating enrollees.
9. Open membership to the general public, with 50% of the membership consisting of non-Medi-Cal recipients within three years.

Discussions with the State over the specific terms of an Institute for Medical Services agreement will obviously be necessary around several of these issues. At this point in time it appears that the State will rigorously adhere to the requirement of a strong consumer participation element (item 2 above) and that the State will also rigorously adhere to the requirement of opening the plan to the general public (item 9 above). If your Board decides to seek to meet Institute for Medical Services requirements, the specific ways of meeting this particular requirement, such as through enrollment of Medicare recipients, the medically indigent, or Short-Doyle mental health patients, or others, including opening the plan to County employees, will require examination.

Initial indications are that the new IMS program regulations will increase County administrative effort and costs; future reports will seek to identify the magnitude of such costs.

Marketing

The Board's marketing contract with the West Contra Costa Community Health Care Corporation expired June 30, 1975. Nearly all of the \$100,000 appropriated during the 1974-1975 fiscal year was spent. No marketing is being done at the present time; as a result, the program is now losing both enrollees and capitation premiums as indicated in a previous section of this report.

Maintenance of some enrollment effort is essential if the program is to be continued, inasmuch as under present contract provisions enrollees automatically become ineligible if they go off welfare cash grant status. As a result premiums are lost and

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slippage occurs in the momentum of the program. As indicated in the April report, future marketing efforts should be conducted by County employees rather than by contract marketers. The recent filing of criminal charges against the marketers working in the County highlights the desirability of this action.

A suggested plan for marketing through the Human Resources Agency has been developed by the Social Service Department and is appended as Exhibit B.

At this time and because of the recent criminal investigations in PHP marketing, the State has taken action to restrict enrollment until after October 1, 1975. The matter of lifting this restriction, at least so that enrollment may be maintained, is under discussion with State representatives. The validity of any statistical analysis of the plan may well be adversely affected if enrollment is not maintained, and this could adversely affect the overall study of the PHP.

Grievance, Verification and Disenrollment Services

A request was recently submitted to the County from the West Contra Costa Community Health Care Corporation (WCCCHCC) for a retroactive contract to reimburse them for services allegedly provided during the period January 1 to June 30, 1975. This request, in the amount of \$21,058 for grievance, verification and disenrollment services, is presently under review by the Human Resources Agency. Provision of such services is a requirement of the County's PHP contract with the State.

Preliminary indications are that some implied consent may have been given to WCCCHCC for these services, and that said organization was allowed to provide them with the knowledge of some County staff and with the expectation that compensation would be provided. These actions were apparently allowed because the State had indicated that if procedures for verification of all enrollees were not established the State would refuse to certify additional enrollees. Consideration of this particular issue should be withheld pending full report on the matter by the Human Resources Director.

Contract for Health Plan Services

For some time the development of a contract with private pharmacists to allow PHP enrollees to obtain pharmaceuticals at locations other than the County Hospital has been under development. The development of such agreements has been strongly advocated by representatives of the pharmacists but has been opposed by County Medical Services personnel for cost and other reasons. At this time considerable work has been done on the proposed contract, and with the Board of Supervisors' favorable action on the overall PHP or Institute for Medical Services program, it can be promptly readied for Board consideration.

The Institute for Medical Services guidelines also require that written agreements be developed with non-Institute medical facilities for emergency room services. This will mean development of contracts with other hospitals to assure PHP enrollees ready access to emergency medical care.

Ambulance Charges

At the present time reimbursement for ambulance service for PHP enrollees is being made at a lower rate than that allowed under Medi-Cal regulations. The Ambulance Association is seeking an increase in such reimbursement to the level of that provided by Medicare and Medi-Cal regulations. Negotiations over rates have been underway with the Ambulance Association for some time, and continuing efforts may be expected to obtain the higher rate of reimbursement for PHP ambulance services.

Availability of Plan to County Employees

The Contra Costa County Employees Association Local 1 has urged that County employees be allowed in the County PHP. Continuing representations in this direction are likely, and the policy and practical implications of such action on the existing health plans will require consideration.

CONCLUSIONS AND RECOMMENDATIONS

The four month financial analysis for the period January through April 1975 has indicated that the PHP can operate on a self-supporting basis. Continued periodic monitoring is essential, however, inasmuch as medical care costs have been increasing and usage fluctuates. On a continuing basis, premiums should be sufficient to cover costs, particularly if the plan is extended (as regulations require) to non-Welfare recipients. Discussions with the State should be based on an increase in premiums (should your Board wish to continue with the Institute for Medical Services program) to cover increased medical care costs resulting from employee wage increases and from the inflation in the cost of services and supplies.

Since submittal of the initial report, the new State Institute for Medical Services program has been developed, and its requirements impact markedly on the PHP program in several areas. Discussions with State officials should be authorized to ascertain if an acceptable contract can be developed, taking into account premiums and the special circumstances of the County program in the areas of consumer participation and enrollment of non-Medi-Cal recipients.

The broad issue continuing to underlie discussions about the PHP is the appropriate role for the County in the provision of medical care at a time when the Federal and State governments have entered the field, and whose role is likely to increase in the next two or three years with enactment of National Health Insurance legislation.

CONSTITUTIONAL AND LEGISLATIVE

The first major legislative act of the new government was the National Council of the Republic, which was established in 1960. This council was responsible for the drafting of the constitution, which was completed in 1962. The constitution provided for a multi-party system and a democratic form of government. It also established the National Council of the Republic as the highest legislative body. The council was composed of members from various political parties and was responsible for the passage of laws and the oversight of the executive branch. The constitution also provided for a system of checks and balances, with the executive branch headed by the President and the judicial branch headed by the Supreme Court. The legislative branch was responsible for the passage of laws and the oversight of the executive branch. The constitution also provided for a system of local government, with municipalities and provinces. The constitution was a landmark document in the history of the country, as it established a democratic form of government and provided for the protection of civil liberties. It was a significant step towards the development of a modern state and the establishment of a democratic political system.

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EXHIBIT A

CONCLUSIONS AND RECOMMENDATIONS

The Prepaid Health Plan has been in operation for approximately 14 months and has demonstrated that such a program is a feasible approach for public agencies. However, as may be expected with a new program, a number of problems do exist. Among these are the following:

1. The cost of providing services, contrary to initial indications, has been exceeding revenues but at a decreasing rate. Until it is clear that the program can be financially self-supporting, it would not be prudent to allow significant expansion. On the other hand, a fully adequate test will require additional time inasmuch as enrollment has only recently approached its present level. Continuation of the program, therefore, with a limited marketing effort is recommended through the remainder of the present fiscal year. Costs should be scrutinized in the interim and a tentative decision made to continue, expand or terminate the program in conjunction with review of the budget for the 1975-1976 fiscal year.
2. Continued marketing efforts should mainly utilize regular County employees as marketing funds are nearly exhausted and the present incentive system has been the subject of adverse criticism.
3. The PHP presently has a number of administrative concerns to which appropriate response is required. Among these are the following:
 - a. Establishment of procedures for reviewing use of services by individual enrollees.
 - b. Mandatory disenrollments resulting from loss of cash grant status causing lack of continuity in provision of medical care.
 - c. Establishment of a consumer grievance procedure and consumer advisory group.
 - d. Enactment of contracts of service with other medical care providers to enhance acceptability.

CONSTITUTION AND BY-LAWS

The purpose of this constitution is to provide a framework for the organization of the club and to ensure that the club operates in a democratic and efficient manner. The constitution is divided into several sections, each dealing with a different aspect of the club's governance.

1. The club shall be a democratic organization, open to all persons who are interested in the club's activities. The club shall be organized into a membership of individuals who shall elect representatives to the governing body of the club. The governing body shall be responsible for the management of the club's affairs and for the implementation of the club's policies.

2. The club shall have a governing body consisting of a president, a vice-president, and a committee of members. The governing body shall be responsible for the management of the club's affairs and for the implementation of the club's policies.

3. The club shall have a membership of individuals who shall elect representatives to the governing body of the club. The governing body shall be responsible for the management of the club's affairs and for the implementation of the club's policies.

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4. Continuing PHP, or alternatively HMO, status will present complications in terms of:
 - a. The requirement that not more than 50% Medi-Cal beneficiaries be enrolled at the completion of the third contract year.
 - b. The HMO requirement that the program be organized in such a manner that one-third of the membership of the policy making body be members of the organization, and that there be equitable representation from the medically underserved population.
 - c. Potential conversion of the County Hospital to community hospital status.
5. Substantial expenditures for capital improvements may be required if PHP or HMO status compels the County to continue to render medical services that other providers might otherwise furnish, or if either program results in the need for new or replacement facilities to provide for the greater patient volume.
6. A plan and budget should be developed by County Medical Services specifying the actions it believes the County should take with respect to the PHP and/or HMO during the next one to three year period. This plan should indicate what actions are proposed, and why and how they will be accomplished.

A number of California counties, under the mainstream concept of medical care, have closed their county hospitals and developed alternative arrangements for care of county patients. A different approach has been followed in Contra Costa County with its Prepaid Health Plan. The implications of this course of action, and of expansion of the role of the County in the provision of medical care in the community through broadening of the Prepaid Health Plan or designation of the County as a Health Maintenance Organization warrants thoughtful policy and fiscal consideration in light of probable enactment of national health insurance legislation.

1. The purpose of this report is to provide a summary of the results of the study conducted by the research team.

2. The study was conducted in a laboratory setting and involved the use of a series of tests to measure the performance of the system under various conditions.

3. The results of the study indicate that the system performed well under most conditions, with the highest performance being achieved when the system was tested under the most demanding conditions.

4. The study also identified several areas where the system's performance could be improved, and these areas are discussed in detail in the following sections.

5. The first area for improvement is the system's response time, which was found to be significantly higher than that of the other systems tested. This is likely due to the system's complex architecture and the large amount of data it processes.

6. The second area for improvement is the system's accuracy, which was found to be lower than that of the other systems tested. This is likely due to the system's reliance on a single data source and the lack of redundancy.

7. The third area for improvement is the system's scalability, which was found to be limited. This is likely due to the system's reliance on a single server and the lack of a distributed architecture.

EXHIBIT B

SUGGESTED MARKETING PLAN

The following plan is suggested; it will link the enrollment process into the AFDC application.

1. Screeners. The intake screener would provide the prospective applicant with informational material outlining the prepaid health program.
2. AFDC Intake Worker. The AFDC intake worker, upon completion of the intake interview, would refer the applicant to the PHP enroller, as a part of the intake procedure.
3. PHP Enroller. The PHP enroller would review with the client the advantages and disadvantages of both Medi-Cal and the PHP, and complete the enrollment process if the individual is interested. It is proposed that the PHP enroller be provided with available space within the intake offices.

The PHP enroller will be a temporary Intermediate Typist Clerk who will receive program supervision from Medical Services staff and administrative supervision from Social Service staff. Marketing will be limited to bringing the total enrollment up to the level of 7,750 persons certified in March 1975. This plan will commence August 1, 1975 and will terminate October 31, 1975 unless approved and extended by your Board. To accomplish this marketing effort, you will need to authorize 14 temporary Intermediate Typist Clerks for the Social Service Department, at a monthly cost of approximately \$11,700. This money will be paid out of the increased PHP revenue generated by these employees; thus, there will be no net cost to the County. These employees will be located in various Social Service Department offices, as follows:

Pittsburg, Shopping Heights Lane	2
Pleasant Hill, Cleaveland Road	2
Sobrante Valley Office, El Sobrante	2
Richmond, 13th Street	1
Richmond, 37th Street	2
Richmond Clinic	1
Martinez Hospital	1
Pittsburg Clinic	1
	<u>12</u>
Back-up Staff	2
	<u>14</u>
TOTAL	14

